

Schaeffler Group USA Inc.



October 10, 2011

Mr. John E. Howard
Chairman, Public Service Commission
of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

RE: Industrial Rate Increase

Dear Mr. Howard,

The recent industrial rate increase of ten percent (10%) which the Public Service Commission of South Carolina ("PSC") approved will have significant impact upon manufactures in the State. Our company, Schaeffler Group USA Inc. ("Schaeffler"), is a significant employer in South Carolina and, in the current economic environment, it will be unable to pass on these costs to its customers. As a consequence less money will be available to invest in the State and to provide increased employment.

We find it difficult to believe that Duke Energy's costs have increased to such an extent as to justify a ten percent increase to industrial customers. For Schaeffler, a manufacturer selling into a highly competitive environment, this kind of unexpected cost increase is very detrimental and will have to factor into future considerations as to where we invest as Schaeffler continues to grow.

This news is particularly disappointing when we have recently made the decision to place a significant new project in the State. This project, located in Cheraw, has already lead to over one hundred new jobs and will likely top out at over two hundred new jobs. Despite support from the City of Cheraw, Chesterfield County and the State, in the form of tax credits or abatements, energy cost increases of this magnitude are a real and significant factor in calculating where to place future investments. I can appreciate that perhaps some of Duke Energy's unrecovered costs may have justified some amount of increase but not at the level approved. This is a truly regrettable turn of events for the State.

Sincerely,

Bruce Warmbold
President & CEO

Steven Crow
General Counsel

Cc: Governor Nikki R. Haley